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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarter Ended:	Commission File Number
February 28, 1992	1-10069

PERIPHERAL SYSTEMS, INC.

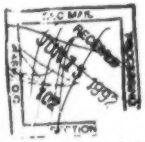
(Exact name of registrant as specified in its charter)

Oregon (State or other jurisdiction of incorporation or organization)	93-0845837 (IRS Employer Identification No.)
7500 Perimeter Road South Seattle, Washington (Address of principal executive offices)	98108 (Zip Code)

Registrant's telephone number, including area code: (206) 763-1919

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days. Yes ✓ No ____.

Number of shares of registrant's common stock outstanding on February 28, 1992: 22,716,530



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PERIPHERAL SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
ASSETS

	February 28, 1992 UNAUDITED	May 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 27,635	$ 133,326
Accounts receivable		
Trade	421,322	344,289
Related parties	---	2,860
Investment in silver	---	46,478
Prepaid expenses	131,489	50,633
Total current assets	580,446	577,586
PROPERTY, PLANT AND EQUIPMENT		
Buildings and leasehold improvements	56,416	105,121
Machinery and equipment	1,221,572	1,145,369
Vehicles and office trailers	253,265	248,761
Research and development equipment	---	160,308
Office equipment, furniture and fixtures	168,403	191,472
	1,699,656	1,851,031
Less accumulated depreciation and amortization	<1,136,029>	<1,153,726>
	563,627	697,305
OTHER ASSETS		
Intangibles, net of accumulated amortization	543,904	580,164
Deposits and other	---	5,292
	543,904	585,456
	$ 1,687,977	$ 1,860,347

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Notes payable - Bank secured	$ 137,785	$ ---
Notes payable Shareholder	415,000	250,000
Accounts payable	928,699	360,604
Accrued liabilities	101,313	84,896
Current portion of long-term debt	45,525	73,054
Other	---	13,959
Total current liabilities	1,628,322	782,513
LONG-TERM DEBT	76,956	18,933
INCOME TAX PAYABLE	175,000	175,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, no par value; 100,000,00 shares authorized; 21,716,530 and 21,188,530 shares issued and outstanding	13,078,791	13,012,790
Additional paid-in capital	242,197	242,197
Accumulated deficit	<13,513,287>	<12,371,086>
	< 192,301>	883,901
	$ 1,687,977	$ 1,860,347

The accompanying note is an integral part of these financial statements.

PERIPHERAL SYSTEMS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Nine Months Ended February 28		For the Three Months Ended February 28,	
	1992	1991	1992	1991
Sales	$ 2,120,561	$ 2,042,652	$ 673,502	$ 523,385
Costs and Expenses:				
Cost of Sales	1,359,363	1,357,013	427,866	436,075
Selling, general and administration	996,846	1,798,970	215,338	529,505
Research and Development	109,702	363,172	63,734	126,851
Total Costs and Expenses	2,465,911	3,519,155	706,938	1,092,431
Operating Loss	< 345,350>	<1,476,503>	< 33,436>	< 569,046>
Other Income (Expense)				
Interest income	---	52,524	---	7,016
Interest expense	< 52,158>	< 18,.39>	< 18,913>	< 3,070>
Minority interest in net loss	< 197,052>	150,000	< 120,419>	---
Other net	---	24,330	---	< 4,415>
Total Other Income (Expense)	< 249,210>	208,315	< 139,332>	< 469>
Extraordinary Charge	< 547,641>	---	< 547,641>	---
Loss from continuing operation	<1,142,201>	<1,268,188>	< 720,459>	< 569,515>
Loss from operations of discontinued business	---	< 451,075>	---	< 150,122>
Loss on disposal of discontinued operations	---	<1,210,000>	---	20,000
Net Loss	$<1,142,201>	$<2,929,263>	$< 720,459>	$< 699,637>
Loss per share from continuing operations	$ .05	$ <.06>	$ .03	$ .03
Loss per share from discontinued business	---	<.08>	---	---
Net loss per share	$ .05	$ <.14>	$ .03	$ .03
Weighted Average Shares Outstanding	22,715,486	20,702,974	22,716,530	20,788,530

The accompanying note is an integral part of these financial statements.

PERIPHERAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTERS ENDING FEBRUARY 1992, AND FEBRUARY 1991
(Unaudited)

	For the Nine Months Ended February 28, 1992	1991	For the Three Months Ended February 28, 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$<1,102,201>	$<2,939,263>	$< 720,659>	$< 699,637>
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation & Amortization	168,308	339,918	68,817	107,950
Non Cash Contribution to ESOP	---	25,000	---	---
Payment of Expense with Stock	---	76,600	---	---
Writedown of assets & intangibles	---	1,193,445	---	184,401
<Gain>Loss on sale of fixed assets	120,594	< 28,231>	120,594	---
Minority interest in net loss	---	< 150,000>	---	---
(Increase) decrease in assets:				
Accounts Receivable	< 77,033>	253,951	117,000	65,490
Inventories	---	9,759	---	---
Prepaid Expenses	< 80,656>	< 10,516>	33	9,322
Other Assets	5,292	3,870	6,198	< 3,253>
Increase (decrease) in liabilities:				
Accounts Payable	568,895	< 69,987>	375,216	< 51,196>
Accrued Expenses	14,617	< 93,332>	6,330	< 34,781>
Other Liabilities	< 10,104>	< 9,384>	< 10,104>	< 9,652>
Short Term Borrowings	275,256	---	27,333	< --- >
Net cash used by operating activities	< 148,152>	<1,356,810>	< 33,835>	< 424,958>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment				
Sale of property, plant and equipment	< 118,981>	< 150,887>	11,691	< 29,185>
<Increase> Decrease in assets:				
Investment in Silver	46,478	13,751	---	4,616
"Advanced Entertainment"	"2760"	"9,444"	"2760"	"29,139"
Restricted Cash	---	225,000	---	---
Net assets of discontinued operations	---	78,986	---	37,197
Net cash provided (used) by investing activities	< 69,563>	256,294	13,921	41,982
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock	66,000	---	---	---
Collection of notes receivable for stock	---	500,000	---	---
Long term financing	58,023	< 88,159>	---	< 13,286>
Net cash provided by financing activities	124,023	411,841	---	< 13,286>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	< 105,691>	< 679,675>	< 19,114>	< 396,336>
CASH AND CASH EQUIVALENTS, BEGINNING OF QUARTER	133,326	807,454	46,749	521,913
CASH AND CASH EQUIVALENTS, END OF QUARTER	$ 27,635	$ 127,579	$ 27,635	$ 127,579

The accompanying note is an integral part of these financial statements.

PERIPHERAL SYSTEMS, INC.

NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Business, Operations and Consolidation Policies - The consolidated financial statements include the accounts of Peripheral Systems, Inc. (the "Company"), its wholly-owned subsidiary X-Ray, Inc. ("X-Ray") and its majority-owned subsidiary Nucell, Inc. ("Nucell"). All significant intercompany balances and transactions have been eliminated. The Company was a development stage enterprise from its inception, October 31, 1983, until it acquired 55% of X-Ray on May 31, 1986. The balance of X-Ray was acquired July 1, 1986. X-Ray operates primarily in the nondestructive testing industry and experiences variations in the level of its operations resulting from the timing of contracts. Nucell, acquired on June 27, 1988 and now 50.8% owned, is a development stage company devoted to research and development of a low wattage battery fueled by radioactive materials, named the ionic cell. Peak Beam Systems, Inc. and TrySis, Inc., former subsidiary companies, are shown as discontinued operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted and, accordingly, the financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1991. The financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position and results of operations for the periods herein reported. Certain reclassifications of the unaudited prior period financial statements have been made to conform with current presentations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Unaudited)

At February 28, 1992, the Company operations consisted of Peripheral Systems, Inc. and subsidiaries, 100% owned X-Ray, Inc. and 50.8% owned Nucell, Inc. The operating subsidiaries are engaged in two primary business segments. X-Ray is involved in nondestructive testing of materials and Nucell in the development of unique power sources employing radioactive emission materials. Nucell's activities were substantially scaled down during the first Quarte. pending additional funding. In September, 1991, Nucell obtained additional funding and has reactivated its development program. In September the Company entered into a Stock Purchase Agreement with Nucell Energy Canada, Inc. wherein the Company would acquire substantially all the remaining outstanding shareh of Nucell, Inc. in an Stock Exchange Agreement. In December, Nucell Energy, Canada, Inc. approved the Stock Exchange Agreement. In January due to lack of funding the development program for ionic battery was temporarily suspended. Nucell entered into a licensing agreement with Isogen, Inc. for the continued development of the RNB technology and sold its facilities to Isogen.

LIQUIDITY AND CAPITAL RESOURCES

The Company, at February 28, 1992 is under severe liquidity constraints. Working capital has decreased $529,789 to a negative $1,047,876 during the Quarter. The quarterly decrease in working capital was caused by the extraordinary charge to income for a Put/Call Option exercised by a major shareholder of $400,000.00.

X-Ray is able to sustain its own operational and capital requirements, while Nucell needs to continue its own outside capital procurement program necessary to complete the next stage in the ionic cell development. Peripheral itself needs and is pursuing funding sources available to sustain its reduced activity level and to correct its current working capital deficit.

RESULTS OF OPERATIONS

Sales for the Company during the Quarter increased $150,117 or 28.7% when compared to the first Quarter of fiscal 1991.

Costs of sales of $427,866 in the Quarter resulted in gross margin of 36% compared favorably to the 16% gross margin on the Third Quarter of 1991.

Selling, general and administrative decreased 59% compared to the third Quarter 1991. This was caused by a major reduction in salaries, benefits and marketing expenses

Research and development expenses were lower due to Nucell's development program curtailment caused by funding limitations.

PERIPHERAL SYSTEMS, INC.

PART II

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of Peripheral Systems, Inc. (the "Company") was held on November 15, 1991 for the following purpose.

1. Electing a Board of Directors to service for the ensuing year and until their successors are elected.

The directors of the Company were elected at the annual meeting to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified. The directors elected to serve for the ensuing year are as follows:

Ralph E. Carp

Lowell H. Dicke

Clifford E. Sawyer

In December the following additional directors of the Company were elected:

Michael Lavigne

Michael MacPherson

Magdi Fahim

George B. Maitland

In January 1992, Lowell H. Dicke and Clifford E. Sawyer resigned their positions as directors and in March Ralph E. Carp also resigned his position.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None

(b) Reports on Form 8-K. None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERIPHERAL SYSTEMS, INC.
(Registrant)

Date 6/3/94

By _____
George B. Maitland, President
and Chief Financial Officer